



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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April 27, 1993

Mr. Stephen D. Alferts, Esq.
Morrison & Foerster
5200 Republic Plaza
370 17th Street
Denver, Colorado 80202-5638

Dear Mr. Alferts:

Re: Reclamation Surety Concerns, Jumbo Mining Company/Asoma Inc., Drum Mine, M/027/007, Millard County, Utah

Thank you for your most recent letter dated April 16, 1993, provided on behalf of your client, Western States Minerals Corporation (WSMC). Your letter expressed WSMC's increased concern that Asoma (Utah), Inc., present owner of the Drum Mine, may have insufficient resources with which to bond for continued operations at the Drum Mine.

It is WSMC's opinion that the final outcome of litigation between WSMC and Asoma in the Colorado District Court will be in WSMC's favor. If this occurs, WSMC believes that Asoma will not be able to provide sufficient surety to secure full reclamation responsibility for all outstanding disturbed areas at the Drum Mine. Your letter requests that we take immediate action requiring Asoma to post supplemental surety to cover projected reclamation costs for the residual disturbed acreage currently secured by WSMC's reclamation surety.

We appreciate WSMC's concern in this matter. However, under both statute and rule, the Division cannot recognize a complete permit transfer and transfer of reclamation responsibility, until the permit transfer process is completed and the transferee has posted adequate replacement surety. Therefore, it is the Division's position at this time, that WSMC's liability remains until such time as ASOMA posts sufficient replacement surety for the entire disturbed area within the permit. The Division has no independent authority to require ASOMA to complete the permit transfer.



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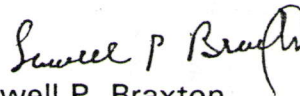
Mr. Stephen D. Alfors, Esq.

M/027/007

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It would seem that WSMC's remedy is its pending specific performance action in Colorado District Court. However, since the Division is not a party to that litigation, the outcome of this litigation will not resolve the Division's concerns and need for adequate replacement surety from ASOMA, before it is able to release WSMC's bond. Thank you for your continued cooperation and understanding in this regard.

Sincerely,



Lowell P. Braxton
Associate Director, Mining

jb

cc: Ed King, JMC/Asoma
Dave Hartshorn, Drum Mine
Rex Rowley, BLM, Warm Springs RA
James Carter, DOGM
Tom Mitchell, AAG

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